

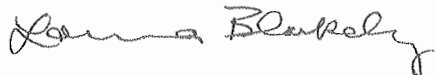
June 8, 2008

ATTN: Cynthia Schaffer  
Contract Administrator  
California Institute for Regenerative Medicine  
210 King Street  
Subject: Loan Program Delegated Underwriter  
RFP# CIRM 2210

To whom it may concern,

Square 1 Bank is please to submit the following Request for Proposal (RFP), entitled RFP#2210 for the California Institute of Regenerative Medicine (CIRM). Please find the requested materials by CIRM regarding the delegated underwriters/financial services providers to assist CIRM in the implementation and administration of CIRM's Loan Program. The enclosed Square 1 Bank submission is complete; however, should CIRM have any questions, or should you need any clarifying information, please feel free to contact any representative of the Life Sciences Division (contact information enclosed).

Sincerely,



Laura Blakely  
Founder, SVP, Legal

On behalf of:

Chris Woolley  
Founder, President Life Sciences

**Life Sciences Division:**

**Chris Woolley**  
Founder, President Life Sciences  
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**California Life Sciences Locations:**

**Southern California**  
12481 High Bluff Drive, Suite 350  
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**Northern California**  
1950 University Avenue, Suite 150  
East Palo Alto, CA 94303

**Square 1 Life Sciences**

Square 1 Life Sciences is a specialized national practice within Square 1 Bank. Our team serves companies in the biotechnology, diagnostics, health care services, medical device, and insurance industries which are backed by leading venture capital firms. The senior management of our Life Sciences team has been working together for more than 10 years and over that time we have established a quality network of relationships nationwide. Our team's experience provides a deep understanding of the sector, its trends, and the needs of our clients and the venture community. Applying this knowledge base, the Life Sciences team is able to provide custom credit solutions and tailored treasury management services to meet the priorities and objectives of our high growth portfolio companies.

**We get it.**

We are entrepreneurs serving entrepreneurs. Our founding bankers have decades of combined experience working with venture backed companies. These innovators established Square 1 out of a dedication to improve the experience of other entrepreneurs... creating a bank that was respectful of their needs and their time, where their story would be heard and understood, and that was structured from the ground up to be responsive. The Life Sciences make up a dynamic sector and our dedication to this market positions Square 1 with the flexibility to adapt alongside our customers' growth.

**We offer a full spectrum of banking services.**

Square 1's banking solutions for life sciences companies are thoughtfully structured to provide for the preservation and management of your resources. Control and visibility are aided by the latest technologies. Products like the Square 1 Toaster, our remote deposit scanner, and eSquared, our robust online banking service, deliver our signature service to your desktop. We stand ready to roll up our sleeves and help you achieve your financial goals.

**We make it personal.**

Our team is laser focused on being the go-to bank for venture backed life sciences companies across the nation. With Square 1, you will experience our unrivaled high-touch banking service, delivering quick turnarounds and transparent credit terms. You'll always have access to senior management, and you will work directly with seasoned venture bankers who understand your industry. People who know you and your company will answer your call. Ours is a relationship business, and we want to be your long-term financial partner.

**CIRM Guidelines**

**Underwriting**

The Bank will conduct a thorough analysis of the Applicant prior to issuing a term sheet. Once all materials have been submitted by the Applicant, this review process typically takes weeks before a term sheet can be issued.

**Financial** A thorough analysis of the Applicant's financial ability to support the loan. The Bank will review Applicant's business plan and investment deck, historical monthly and annual financial statements, most recent YTD financial statements, proforma budget and cash flows, account verifications, an evaluation of credit history, and other documents as needed.

**Business** A thorough analysis of the Applicant's business model, the market the Applicant is targeting, and how they plan to monetize the business; an analysis of whether the Applicant has the ability to execute its product development plan based on the disclosed non-scientific risk factors (covenants or other requirements to mitigate any risk factors deemed acceptable to the Bank will be incorporated in the term sheet); a collateral review and interviews with senior management and background checks, where appropriate.

**Legal** A thorough review of litigation records for both the Applicant and its principals; a legal review of material contracts, licenses and permit applications, as appropriate.

**Loan Documentation** The Bank will negotiate on its standard templates used for similar types of loans all legal documents necessary to close loan and record and otherwise perfect all security interests. During the legal documentation process, the Bank will perform tax, credit, and lien searches as further due diligence on the Applicant and to ensure that the Bank's lien is perfected. Execution documents will be submitted to CIRM for final approval prior to execution by the parties.

**Financial/Milestone** Bank will work with both the Applicant and CIRM in crafting a structure that is mutually beneficial. Typical loans will be governed by milestone covenants, financial covenants, equity requirements and other metrics. Monitoring of these metrics will allow Bank and CIRM to verify the progress of the Applicant against its approved plan.

**Negative Covenants** Loan documents will include negative covenants which preclude the company from taking certain actions without the written consent of the Bank including: sale of IP or company assets, material changes in management or the overall business model of the company, entering into a merger or acquisition, taking on additional indebtedness, and allowance of additional liens against collateral.

**Collateral** Loans are typically structured to secure repayment with a blanket lien on all of Applicant's personal property assets.

**Loan Pricing**

Cost of the Loan will be 100% paid by Applicant, with NO cost to CIRM. All interest, fees, warrants, etc outlined herein to be paid to Bank. CIRM to charge Applicant interest, fees, warrants, etc. as necessary to meet CIRM return needs in addition to Bank requirements. See exhibit A (attached) for further detail using CIRM specified example.

**Scenario 1** The Bank would provide a loan directly to the Applicant based on the facility being guaranteed by CIRM. Loan would be subject to the Bank's full due diligence of the guarantee/guarantor and execution of appropriate legal documents. Applicants shall maintain all of their deposits, transaction accounts, and primary investment accounts with Square 1 Bank. Pricing will be based on the Bank's Prime Rate, which is currently 3.25%, plus the Bank's minimum spread detailed below.

Loan Range	Minimum Spread	Minimum Facility Fees	Minimum Warrants	Estimated Legal Fees
\$0 - \$1,000,000	Prime + 2.00%	50 basis points	2.00%	\$10,000 with two revisions
\$1,000,001 - \$5,000,000	Prime + 1.50%	35 basis points	2.00%	\$10,000 with two revisions
\$5,000,001 - \$12,500,000*	Prime + 1.00%	25 basis points	2.00%	\$10,000 with two revisions

\* Bank may be able to increase guaranteed loan amounts up to \$20,000,000 depending on the type of guarantee (i.e. Federal, State, etc.)

**Scenario 2** The Bank would provide a loan directly to the Applicant based on the facility being 105% cash collateralized by CIRM, with cash to be held at Square 1 Bank. Applicants shall maintain all of their deposits, transaction accounts, and primary investment accounts with Square 1 Bank. CIRM to keep all interest earned on cash collateral. Pricing will be based on the Bank's Certificate of Deposit (CD) Rate of CIRM's choice, plus 2.50% (please note that CD rates are updated weekly and subject to change).

Loan Range	Minimum Spread	Minimum Facility Fees	Minimum Warrants	Estimated Legal Fees
\$0 - \$1,000,000	CD + 2.50%	50 basis points	1.00%	\$10,000 with two revisions
\$1,000,001 - \$5,000,000	CD + 2.50%	35 basis points	1.00%	\$10,000 with two revisions
\$5,000,001 - \$20,000,000	CD + 2.50%	25 basis points	1.00%	\$10,000 with two revisions

**Scenario 3** The Bank would provide a fee for services model whereby CIRM originates the loan, advances funds and pays the Bank a fee.

Loan Range	Minimum Annual Service Fee	Minimum Facility Fees	Minimum Warrants	Estimated Legal Fees
\$0 - \$1,000,000	\$10,000	\$1,000	0.50%	\$10,000 with two revisions
\$1,000,001 - \$5,000,000	\$10,000	\$1,000	0.50%	\$10,000 with two revisions
\$5,000,001 - \$20,000,000	\$10,000	\$1,000	0.50%	\$10,000 with two revisions

### Portfolio Management and Loan Administration

**Monthly Reporting** On a monthly basis the Bank will require Applicants to provide necessary reporting, including their prior month end GAAP financials (income statements, balance sheet, and cash flow statement). This reporting will allow the Bank to verify on a monthly basis that the Applicant is in full compliance with the loan agreement and remains in good standing. Such reporting will be shared with CIRM as requested.

**Covenant Monitoring** Bank will monitor Applicants' compliance with all loan covenants, including financial and milestone covenants on a monthly basis or as otherwise required in the loan documents

**Collections** On a monthly basis the Bank will auto-debit the Applicants account for the monthly principal and interest due.

**Disbursement** After verification that Applicant is in compliance with the loan documents and obtaining CIRM approval, as applicable, loan disbursements to be made by Bank.

**Problem Loan Administration** Working in consultation with CIRM and at CIRM's direction, Bank will take appropriate actions in the event of deficiency or noncompliance by Applicant with payment or other loan requirements.

**Warrants** Bank will manage the warrant portfolio generated by the loan program. To the extent CIRM requests Bank to administer warrants issued to CIRM, Bank shall exercise such warrants, distribute stock and disburse cash proceeds all as instructed by CIRM.

### Federal Loan Guarantee Program

The Bank would like to formally acknowledge its interest in learning more about participation in the Federal Loan Guarantee program. Below is a recent example of a Square 1 Bank portfolio company currently involved in a Federal Loan Guarantee program.

[REDACTED] alternative bio-fuels company that expects to introduce its first fuels based on green crude. The company has produced "green" gasoline from a synthetic crude oil made from algae. To date, the company has raised north of [REDACTED] in institutional equity financing. Square 1 Bank has committed a credit facility that is directly tied to a USDA loan guarantee program.

In addition, in their careers with other financial institutions prior to joining Square 1 Bank, senior personnel in Bank's Credit and Loan Operations Departments collectively have 26 years direct experience underwriting and administering credits issued under government guaranteed lending programs (primarily SBA and EximBank).

### Historical CIRM Consulting

The Bank has not participated in any consulting work on behalf of CIRM in that past 12 months.

### Conflicts

The Bank commits to developing with CIRM a written conflicts policy to assure full and accurate conflicts checks and conflicts monitoring throughout the term of the contract in accordance with all of CIRM's criteria. Bank currently has developed reporting tools to track similar information. These tools can easily be adapted to satisfy CIRM's conflicts requirements.

### Insurance

The Bank currently has insurance in place that satisfies CIRM's requirements and expects to maintain such insurance through the duration of any relationship between Bank and CIRM.

### Subject to

The Bank's response to the CIRM RFP is subject to satisfactory Bank review and due diligence on the guarantee and guarantor.

## Square 1 Bank Overview

### Who is Square 1 Bank?

Since its inception in 2005, Square 1 Bank has proven itself as one of the most successful de novo (start-up) banks operating today. Square 1 was capitalized through a \$105 million equity raise, the second highest amount ever for a US bank at that time. Over these first three years, we have also become one of the fastest to reach the billion dollar mark. Square 1's success is not by chance. We are focused on what we know and do best. Square 1 is a full service commercial bank dedicated to serving entrepreneurs and the Venture Capital market. We are backed by an executive team with over 100 years in venture and venture banking. Our founding team set out to build an institution for entrepreneurs—one that is responsive and flexible, transparent and true to its word. At a time when value is sought by so many, these are the strengths that continue to benefit our Square 1 partners. Square 1 takes pride in the active partnerships we form with our clients. Our experience as successful entrepreneurs and as time-tested venture bankers is a resource for you. In the current environment, you may have questions for your financial partner. Your Square 1 Team is available with answers. Today, Square 1 has ten offices from coast to coast: Austin, Boston, Boulder, Durham, Los Angeles, McLean, New York, San Diego, Seattle, & Silicon Valley.

### How do I know my bank is safe?

With any bank, there are three pillars of strength to consider: liquidity, capitalization and asset quality. The most important of these factors is Liquidity. It is a bank's lifeblood and a good gauge of the bank's overall health. An institution with good liquidity has the resources to meet its obligations and is less likely to run into trouble in difficult times. Square 1 has over half a billion dollars in available liquidity. Our deposits exceed outstanding loans by more than 2:1—a ratio that is more than double that of most other banks our size. Further, all of our deposits come from our customers. We do not rely upon wholesale funding sources. Capitalization is an important measure of the strength of a bank's balance sheet. Being "well-capitalized" by federal regulators means having a healthy cushion of equity to protect against potential losses. Bank financials are reviewed quarterly, and Square 1 has always exceeded all regulatory thresholds for being well-capitalized. Asset Quality is a barometer for the credit risk associated with a bank's loan and investment portfolios. Within our loan portfolio, credit quality remains good. Additionally, the loan portfolio has no exposure to the well known mortgage issues of today's environment. Square 1's investment portfolio also continues to be a reliable source of substantial cash flows from principal and interest payments.

### How is the current crisis affecting Square 1 Bank?

Banks most exposed to the ongoing crisis are those that are either highly leveraged or heavily involved with real estate lending. Fortunately, Square 1 is not one of those banks. We have not used borrowing channels to take on leveraged positions of any kind. Additionally, the restriction of credit in this current crisis has had no impact on Square 1's capacity to fund its balance sheet, nor has it diminished our ability or desire to grow our loan portfolio in accordance with our objectives. We are in the business of venture banking—-we simply make loans and take in deposits—-exclusively within the venture community. We do not make or buy real estate loans, commercial or residential. Additionally, venture capital has less exposure to the current volatility in the broader credit markets than other segments of the economy. While the venture industry is not immune to the macro economic environment—-indeed, we've weathered tough storms before—-the longer time horizons of venture investing allow for a more prudent long term approach by investors. It is also important to note that we hold no auction rate securities in our investment portfolio, and none of our customers holds them in any Square 1 account. Moreover, Square 1 has no counter party exposure to investment banking institutions on its balance sheet.

### Where are the safest places to put my money?

Every single dollar in a Square 1 Demand Deposit Account currently is 100% guaranteed by the FDIC. The preservation of your capital is our top priority, and we are proud to provide this service for you. To further meet your needs, Square 1 has compiled a variety of account options for the maximum security of your cash with ease of access. Your objectives are unique to your business, and our Banking and Treasury Management teams are here to guide you through the choices. There is no pre-packaged answer. Square 1 solutions are flexible and shaped to your goals by professionals.

Exhibit A  
6/8/2009

CIRM \$20,000,000 Loan Example \*  
Hypothetical

	Input	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Loan Amount	\$ 20,000,000	\$(5,000,000)	\$(10,000,000)	\$(15,000,000)	\$(20,000,000)	\$(20,000,000)	20,000,000
Interest Rate	5.00%	\$ 250,000	\$ 500,000	\$ 750,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Facility Fees	0.25%	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Legal Fees	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -
Maturity (months)	72	\$ 60	\$ 48	\$ 36	\$ 24	\$ 12	\$ -
Warrants**	1.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Annual Outflows</b>	<b>\$</b>	<b>\$ 310,000</b>	<b>\$ 500,000</b>	<b>\$ 750,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>

\* Bank to only lend up to \$ [REDACTED] for any single loan.

\*\* There is no fee to Applicant or CIRM for Warrants.

Scenario #1 - CIRM Guarantee\*  
Hypothetical

	Input	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Loan Amount	\$ 12,500,000	\$(12,500,000)	\$(12,500,000)	\$(12,500,000)	\$(12,500,000)	\$(12,500,000)	12,500,000
Interest Rate	4.25%	\$ 531,250	\$ 531,250	\$ 531,250	\$ 531,250	\$ 531,250	\$ 531,250
Facility Fees	0.25%	\$ 31,250	\$ -	\$ -	\$ -	\$ -	\$ -
Legal Fees	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -
Maturity (months)	72	\$ 60	\$ 48	\$ 36	\$ 24	\$ 12	\$ -
Warrants**	2.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Annual Outflows</b>	<b>\$</b>	<b>\$ 572,500</b>	<b>\$ 531,250</b>	<b>\$ 531,250</b>	<b>\$ 531,250</b>	<b>\$ 531,250</b>	<b>\$ 531,250</b>

\* Bank may be able to increase guaranteed loan amounts up to \$20,000,000 or beyond depending on the type of guarantee (i.e. Federal, State, etc.)

\*\* There is no fee to Applicant or CIRM for Warrants.

Scenario #2 - Cash Collateral  
Hypothetical

	Input	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Loan Amount	\$ 20,000,000	\$(20,000,000)	\$(20,000,000)	\$(20,000,000)	\$(20,000,000)	\$(20,000,000)	20,000,000
Interest Rate*	2.80%	\$ 560,000	\$ 560,000	\$ 560,000	\$ 560,000	\$ 560,000	\$ 560,000
Facility Fees	0.25%	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -
Legal Fees	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -
Maturity (months)	72	\$ 60	\$ 48	\$ 36	\$ 24	\$ 12	\$ -
Warrants**	1.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Annual Outflows</b>	<b>\$</b>	<b>\$ 620,000</b>	<b>\$ 560,000</b>	<b>\$ 560,000</b>	<b>\$ 560,000</b>	<b>\$ 560,000</b>	<b>\$ 560,000</b>

\* Pricing will be based on the Bank's Certificate of Deposit (CD) Rate of CIRM's choice, plus 2.50%. This example assumes the Bank's 30-day CD.

\*\* There is no fee to Applicant or CIRM for Warrants.

Scenario #3 - Loan Servicing Program  
Hypothetical

	Input	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Loan Amount	\$ 20,000,000	\$(20,000,000)	\$(20,000,000)	\$(20,000,000)	\$(20,000,000)	\$(20,000,000)	20,000,000
Annual Service Fee	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Legal Fees	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -
Facility Fees	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -
Maturity (months)	72	\$ 60	\$ 48	\$ 36	\$ 24	\$ 12	\$ -
Warrants*	0.50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Annual Outflows</b>	<b>\$</b>	<b>\$ 21,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>

\* There is no fee to Applicant or CIRM for Warrants.

ATTACHMENT 1

REFERENCE 1

Name of Firm

Street Address

City

State

Zip Code

Contact Person [REDACTED] CFO

Telephone Number [REDACTED]

Dates of Service 8/06 - PRESENT

Value or Cost of Service CONTACT COMPANY

Brief Description of Service Provided

PROVIDED [REDACTED] WITH A CHECKING ACCOUNT, MONEY MARKET ACCOUNT, ONLINE BANKING, INTERNATIONAL SERVICES AND AN EQUIPMENT TERM LOAN.

REFERENCE 2

Name of Firm

Street Address

City

State

Zip Code

BOULEVARD

Contact Person [REDACTED] CFO

Telephone Number [REDACTED]

Dates of Service 2/08 - PRESENT

Value or Cost of Service CONTACT COMPANY

Brief Description of Service Provided

PROVIDED [REDACTED] WITH A CHECKING ACCOUNT, MONEY MARKET ACCOUNT, ONLINE BANKING, INTERNATIONAL SERVICES, AN EQUIPMENT TERM LOAN AND A WORKING CAPITAL LINE OF CREDIT.

REFERENCE 3

Name of Firm

Street Address

City

State

Zip Code

[REDACTED]

SAN DIEGO

CA

92130

Contact Person [REDACTED] CFO

Telephone Number [REDACTED]

Dates of Service 3/08 - PRESENT

Value or Cost of Service CONTACT COMPANY

Brief Description of Service Provided

PROVIDED [REDACTED] WITH A CHECKING ACCOUNT, MONEY MARKET ACCOUNT, ONLINE BANKING, INTERNATIONAL SERVICES AND A WORKING CAPITAL LINE OF CREDIT.

